

JAN 17 2008



## PENGROWTH MANAGEMENT LIMITED

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January 16<sup>th</sup>, 2008

Mr. Linton R. Wilson  
Chairman of the Competition Panel  
280 Albert Street  
10<sup>th</sup> Floor, Suite 1000  
Ottawa, Ontario  
K1A 0H5

*Red:*  
Dear Mr. Wilson:

Re: Competition Act Tribunal Meeting

Pengrowth Management Limited as Agent on behalf of Pengrowth Energy Trust respectfully requests to attend and present at the Competition Tribunal Hearings in Calgary, Alberta on January 25, 2008.

Fostering Canadian competitiveness should be one of the Government's highest priorities. There are many components of a strategy to maximize Canadian competitiveness, including creation of an attractive and reliable legal and regulatory framework, minimization of taxes at both a corporate and individual level and provision of services and infrastructure to support activity. Canada is blessed with significant natural resources and an evolved industrial base. However, our relatively small population, high cost structure and limited capital resources pose significant challenges.

Ultimately, we believe that the key new drivers of Canada's ability to compete will come through the quality of our people, a low relative cost of capital and our ability to access capital.

### People

At the January CCCE meeting in Toronto, the essential importance of trained, experienced and talented people to the future growth, success and development of Canada was discussed. The quality of our educational institutions and ongoing programs are of fundamental importance. We also believe that we have to go further to encourage creative solutions and to create an environment where ideas can be formulated and implemented. One of our own community



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initiatives is the sponsorship and construction of the Kinnear Centre for Creativity and Innovation in the Kinnear Centre and the Banff School of Fine Arts. The Centre will provide programs and management development and leadership essential to our future business effectiveness.

#### Access to Capital and Cost of Capital

The cost of capital to Canadians has many elements. In general, investment capital will flow to areas that provide the highest return and lowest risk. Initiatives to reduce corporate taxes are important for Canada to be internationally competitive. The trend towards total tax rates of approximately 25% for Alberta corporations is likely not unreasonable and all Provinces should be encouraged to cooperate with the Federal Government to move in this direction. We observe that a healthy fiscal environment will create substantially more business and hence tax revenue than an overtaxed industry that cannot maintain its effectiveness.

Clearly substantial amounts of capital are required for the large tar sands projects and other mega projects that will impact Canada's long term financial security. These capital resources must be attracted at the same time that Canada's maintains the essential management and control of its resources through effective business structures.

We note with some concern that there are very many worthwhile enterprises that are fostered through the entrepreneurial spirit and intellectual resources of Canadians. Many new technologies that have the potential to significantly impact our ability to compete remain under funded and without appropriate marketing support and direction. Novel approaches in venture capital and merchant banking are required to stimulate this activity.

We would observe, finally, that creating an environment for effective competition and productivity requires a stable business platform with consistent public policy. We can speak from our own experience as a manager of one of Canada's leading energy royalty trusts as to the damage that occurs when there is a rapid change of public policy contradicting earlier Government positions such as that which arose from the October 31<sup>st</sup>, 2006 SIFT tax announcement. In seeking to correct a potential tax leakage problem of several hundred million dollars, the Government announcement resulted in an immediate decline of equity values in the sector of approximately 20%, erasing billions of dollars of value and increasing the cost of capital of all of the energy royalty trusts. The impact is far reaching, significantly reducing activity in the conventional exploration and production sector relying upon energy royalty trusts for capital and liquidity at a time of unprecedented high oil prices. Moreover, there has been considerable damage to Canada's reputation as a place to invest amongst U.S. investors and international investors with many available alternatives. The recent NAFTA claim raised by Mr.

& Mrs. Marvin Gottlieb that could reach five billion dollars may be the largest such claim ever advanced.

We believe that we can add a considerable amount of value to your discussions. As the issues arising under the Government's SIFT tax legislation go directly to concerns of competitiveness, we have attached a copy of the materials that we provided to the Government entitled "An Overview of the Government of Canada Income Trust Announcement". Although those comments are dated November, 2006, they remain relevant today.

Thank you for your consideration of these matters. I look forward to the opportunity to present when you are in Calgary on January 25<sup>th</sup>.

Yours truly,

PENGROWTH MANAGEMENT LIMITED

James S. Kinnear  
President